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REPORT
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WOLF TRAP FOUNDATION FOR THE PERFORMING ARTS

MARCH 22 (legislative day, JANUARY 23), 1990.—Ordered to be printed

Mr. JOHNSTON, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany S. 1859]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1859) to restructure repayment terms and conditions for loans made by the Secretary of the Interior to the Wolf Trap Foundation for the Performing Arts for the reconstruction of the Filene Center in Wolf Trap Farm Park in Fairfax County, Virginia, and for other purposes, having considered and the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE OF THE MEASURE

The purpose of S. 1859 is to restructure the repayment terms and conditions for loans made by the Secretary of the Interior to the Wolf Trap Foundation for the Performing Arts for the reconstruction of the Filene Center at Wolf Trap Farm Park in Fairfax County, Virginia.

BACKGROUND AND NEED

In 1966, Wolf Trap Farm Park was established as the only unit of the National Park System dedicated to the performing arts. Although the park is owned by the Federal Government, the programming, fundraising, educational and related activities are operated by the Wolf Trap Foundation for the Performing Arts, a private, tax-exempt corporation in accordance with section 501(c)(3) of the Internal Revenue Code.

In April 1982, the Filene Center, Wolf Trap's outdoor amphitheater, burned to the ground. The cause of the fire was not determined. At that time, the Filene Center was self-insured by the Fed-

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eral Government. In an effort to shorten the length of time needed for reconstruction, the Foundation entered into an agreement to jointly fund the reconstruction of the Filene Center with the Federal Government. The cost to rebuild the Center was estimated to be approximately $18 million. In October 1982, Congress enacted Public Law 97-310, which provided that the Federal Government would provide a $9 million grant to the Foundation and up to $8 million in Government loans, provided that the Foundation raised an amount equal to one-half the amount of the loans. Interest was to be assessed at between 11.375 percent to 13.375 percent. The Foundation raised approximately $4 million in donations.

Due to additional fire, safety and contract modifications, the construction costs increased by $3.6 million to $21.6 million. The Foundation raised an additional $620,000, resulting in a total contribution of approximately $4.6 million.

In January 1986, the main girder of the newly reconstructed Center fractured, requiring an additional $4.1 million to repair. The repair was financed by a $1.4 million loan from the Federal Government (pursuant to Public Law 99-190), $600,000 from the contractor, $1.3 million from the Foundation's insurance company and $760,000 raised by the Foundation. The repairs were completed in May 1986. The Foundation filed a suit against the contractor and subsequently received a partial settlement which was applied to the government loan.

The total cost to rebuild the Filene Center amounted to $25.7 million. Of that amount, the Foundation has contributed approximately $7.4 million. Interest is accruing on the loan balance at the rate of approximately $1.8 million per year. In two recent reports, the General Accounting Office concluded that absent a restructuring of the loan repayment terms, the Foundation would probably be unable to repay the loan.

SUMMARY OF THE MEASURE

S. 1859 restructures the repayment terms and conditions for loans made by the Secretary of the Interior to the Wolf Trap Foundation for the Performing Arts pursuant to Public Law 99-310. Specifically, the legislation waives repayment obligations for one-half of the total amount owed in principal and interest by the Foundation, provides that no interest be assessed on any remaining unpaid obligations, and spreads the remaining payments over a 10-year period.

The legislation allows the Foundation to repay the debt with cash, property or credits resulting from the continuing education programs of the Wolf Trap Opera Company and the Wolf Trap Institute for Early Learning Through the Arts, as well as programs and activities of the Education Division. The Committee notes that the programs and activities of the Institute and the Education Division are conducted not only at Wolf Trap Farm Park, but throughout the country, and it is the Committee's intent that all such programs and activities shall be considered in determining credits.

The current debt owed by the Foundation to the Federal Government is approximately $16 million. To date, the Foundation has raised about $7.4 million. All of the money raised has been used for

purposes related to the reconstruction of the Filene Center. The $7.4 million contribution by the Foundation is slightly less than the original obligation envisioned when the reconstruction began. It is the Committee's view that restructuring the loan terms and conditions as set forth in S. 1859 is an equitable solution that will allow the Foundation to continue to direct its resources towards the operation of the park and its educational programs while ensuring that the Foundation contributes its fair share for the Filene Center reconstruction costs.

LEGISLATIVE HISTORY

S. 1859 was introduced on November 8, 1989 by Senators Warner, Robb, Johnston and McClure. The Subcommittee on Public Lands, National Parks and Forests held a hearing on the bill on February 21, 1990.

At the business meeting on March 8, 1990, the Senate Committee on Energy and Natural Resources ordered S. 1859 favorably reported.

COMMITTEE RECOMMENDATIONS AND TABULATION OF VOTES

The Senate Committee on Energy and Natural Resources, in open business session on March 8, 1990, by a unanimous vote of a quorum present, recommends that the Senate pass S. 1859, as described herein.

The rollcall vote on reporting the measure was 18 yeas, 0 nays, as follows:

YEAS	NAYS
Mr. Johnston	
Mr. Bumpers*	
Mr. Ford*	
Mr. Metzenbaum*	
Mr. Bradley	
Mr. Bingaman*	
Mr. Wirth	
Mr. Conrad	
Mr. Heflin	
Mr. McClure	
Mr. Hatfield	
Mr. Domenici*	
Mr. Wallop*	
Mr. Murkowski	
Mr. Nickles*	
Mr. Burns	
Mr. Garn	
Mr. McConnell*	

*Indicates voted by proxy.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of the cost of this measure has been provided by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 21, 1990.

Hon. J. BENNETT JOHNSTON, Jr.,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed S. 1859, a bill to restructure repayment terms and conditions for loans made by the Secretary of the Interior to the Wolf Trap Foundation for the Performing Arts for the reconstruction of the Filene Center in Wolf Trap Farm Park in Fairfax County, Virginia, and for other purposes. The bill was ordered reported by the Senate Committee on Energy and Natural Resources on March 8, 1990. Assuming enactment by mid-1990, the United States would forgo the collection of about $17 million (plus future interest) owed to it by the Wolf Trap Foundation for the Performing Arts (WTF). Because it is unlikely that the foundation's debt would have been repaid over the next five years, CBO does not expect this bill's enactment to have any impact on the federal budget over that period.

S. 1859 would restructure the repayment terms of loans made previously to the WTF by the U.S. Treasury and the Department of the Interior. Under current law, the foundation was to repay this debt—including outstanding principal of $8.4 million plus interest—by November 1988. With the exception of a $1.1 million insurance settlement, no repayments have been made, and the total amount owed by mid-1990 will be close to $17 million. Upon enactment of S. 1859, the Secretary of the Interior would be directed to forgive one-half of the foundation's debt. Also at that time, the accrual of interest on the remaining half would cease. The foundation would be permitted ten years to repay the remaining debt—around $8.5 million—with cash, property, or credits for educational programs. Based on information provided by the National Park Service, CBO expects that the foundation would be able to satisfy this residual obligation by offering educational programs to the public, and that the entire debt would be liquidated without any cash being paid to the government.

Enactment of the bill is unlikely to affect the government's cash receipts over the next few years, since it appears that the federal government would not be able to collect this debt anyway. Apparently, no repayment schedule was established after the foundation's default in fiscal year 1989, and CBO's current budget projections do not anticipate the collection of any amounts from the WTF over the 1991–1995 period.

Enactment of this bill would not affect the budgets of state or local governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Deborah Reis, who can be reached at 226–2860.

Sincerely,

ROBERT D. REISCHAUER,
Director.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 1859. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of S. 1859, as reported.

EXECUTIVE COMMUNICATIONS

On January 18, 1990, the Committee on Energy and Natural Resources requested legislative reports from the Department of Interior and the Office of Management and Budget setting forth executive views on S. 1859. These reports had not been received at the time the report on S. 1859 was filed. When the reports become available, the Chairman will request that they be printed in the Congressional Record for the advice of the Senate. The testimony provided by the National Park Service at the Subcommittee on Public Lands, National Parks and Forests hearing follows:

STATEMENT OF ROBERT STANTON, REGIONAL DIRECTOR, NATIONAL CAPITAL REGION, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR, BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS, NATIONAL PARKS AND FORESTS, SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, ON S. 1859, A BILL TO RESTRUCTURE REPAYMENT TERMS FOR LOANS TO THE WOLF TRAP FOUNDATION FOR THE PERFORMING ARTS, FEBRUARY 21, 1990

Mr. Chairman, I appreciate the opportunity to provide your subcommittee with the views of the Department of the Interior on this legislation.

The Administration recognizes the difficulties faced by the Wolf Trap Foundation for the Performing Arts in meeting its financial obligations to the Federal Government. We are willing to work cooperatively with Congress to agree on a reasonable and appropriate rescheduling of the Foundation's loan repayments that will not put an undue burden on ongoing programs at Wolf Trap and that is fair to all affected parties.

The National Park Service has worked closely with Mrs. Catherine Shouse and the Wolf Trap Foundation since Congress created, through Public Law 89–871, America's only National Park dedicated to the Performing Arts, Wolf Trap Park.

To create this Park, the Wolf Trap Foundation donated to the Federal Government 100 acres of land and $2 million dollars for construction of the original performing arts center. Under the terms of a cooperative agreement, the

Wolf Trap Foundation has provided the programming, fundraising, marketing and related educational programs for 10 successful years in partnership with the National Park Service/Department of the Interior. For its part, the National Park Service pays certain operating costs at Wolf Trap Park. Federal funding for this purpose now exceeds $2 million annually.

In April 1982 the outdoor amphitheater, the Filene Center, burned to the ground. The exact cause was never determined. The structure, like all buildings owned by the Federal Government, was self-insured by the government.

To avoid the lengthy process normally associated with rebuilding a government facility, the Foundation worked closely with the Administration and Congress to reach an agreement in Public Law 97-310 to share in the reconstruction effort, estimated to be $17 million. The law authorized a direct Federal grant to the Foundation of $9 million, and a Federal loan to the Foundation of $8 million.

During the reconstruction, change orders were approved by the National Park Service and the Foundation for structural enhancements, safety requirements, and fire protection that escalated the original estimate to a construction cost total of $21.6 million. The Foundation applied $4.6 million of their donated funds to the additional construction costs. The Filene Center reopened July, 1984.

In January 1985, a main girder fractured. The Federal Government responded quickly by providing additional loan authority of $1.5 million. In accordance with appropriation language, the National Park Service reprogrammed $1.5 million from funds appropriated for its construction projects, anticipating full repayment of the loan. The Foundation instituted litigation against the contractor, and subsequently received settlement. As a result of this settlement, the Federal Government received $1.1 million in June, 1988. The balance due on this loan is approximately $400,000, without interest added.

The Foundation raised a total of $7,211,000 for reconstructing the Filene Center. None of this amount was applied to repaying loans from the Federal Government. As I have noted, $4.6 million was used to pay cost overruns. The remaining $2.6 million was used for fundraising costs, legal fees, and temporary facilities. The Foundation also donated in-kind construction contract administration services that it estimated were worth $2,164,000.

The Foundation's loans were due to be repaid to the Federal Government in November, 1988. Payments have never been made. At present, the Foundation owes the Federal Government a total of approximately $16 million, including principal and interest. The interest is accumulating on this debt at approximately $1.8 million per year. The Department enclosed a bill of collection from the National Park Service in November 1988 in the amount of $14,231,295.75.

In 1988, the General Accounting Office (GAO) analyzed the Foundation's debt. The GAO concluded it was unlikely the Foundation would be able to repay its outstanding debt and accrued interest when due on November 23, 1988. However, the GAO noted that "the Foundation is not entirely without resources", citing positive net operating income and valuable real property assets. The GAO report "did not consider any operational or management changes which might be made to increase (the) profitability" of Foundation operations, but nevertheless found that "if the Foundation's real property were used to reduce its outstanding debt, any remaining debt could be restructured to be repaid over a reasonable period of time". (GAO Report AFMD-88-54FS, PP. 1, 2, 4.)

Section (a) of S. 1859 would drop repayment obligation for one-half of the Foundation's $16 million obligation. Section (b) provides that no additional interest will accrue on the loan, beginning with the date of enactment. Section (c) provides the remaining $8 million may be repaid with cash, or property, or credits, to be jointly determined by the Foundation and the Secretary. Repayment credit may be derived from the Foundation's educational programs associated with the Wolf Trap Opera Company, the Wolf Trap Institute for Early Learning through the Arts, and the programs and activities of the Education Division. Section (c) further requires all obligations be repaid within 10 years of the date of enactment.

Mr. Chairman, although Congress may ultimately choose to bestow the debt relief contemplated by S. 1859, it is within the Foundation's means to meet a larger proportion of its obligations. We are concerned about the bill's provision allowing the Foundation to pay its debts with credits. This would create a precedent which would eliminate incentives to operate programs in the most efficient and cost effective manner.

The National Park Service and the Wolf Trap Foundation have worked closely through the years in establishing, constructing and operating an outstanding and professional National Park for the Performing Arts. It is certainly our intention to preserve the same high level of professionalism and programming for future generations. We look forward to working with Congress to fashion a rescheduling of the Foundation's loan payments that reasonably and equitably protects the interests of all parties.

In conclusion, the Administration has no objection to restructuring the terms and agreements for the loans, but would want to do so in a way that ensures a full repayment over a reasonable timeframe.

This concludes my prepared remarks, Mr. Chairman.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill S. 1859, as reported.

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